

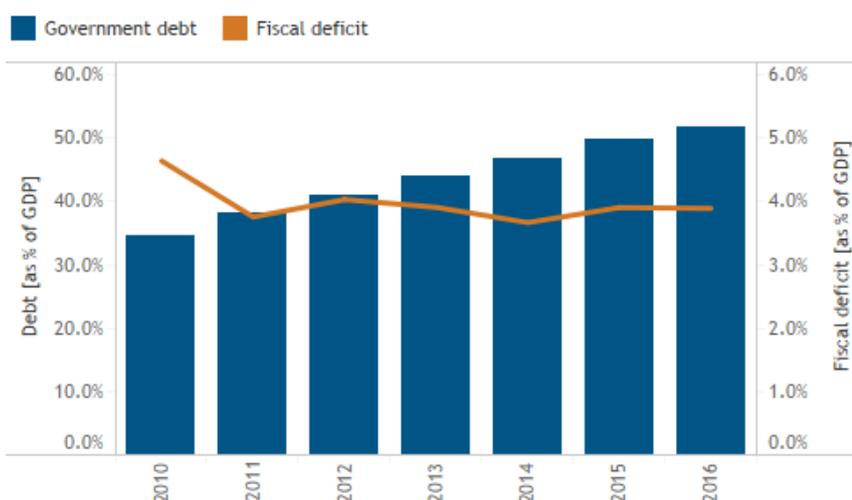
Pravin Gordhan and what happens next in South Africa

Blog post by Adviser Matthew Duhan, 21 October 2016

In his time, Pravin Gordhan has played many roles: pharmacist; anti-apartheid activist; prisoner; chief taxman; and finance minister not once, but twice. In South Africa's current political morality play, he is cast as the martyr - fending off what many see as politically motivated accusations of fraud from the National Prosecuting Authority (NPA) to prevent him exposing unsavoury dealings between President Jacob Zuma and the Gupta family. What happens next will almost certainly have big consequences for the ANC and South Africa.

South Africa first. Since returning to the treasury in December 2015, Gordhan has been seen by markets as a bulwark of macroeconomic stability as the South African economy has slowed dramatically in the face of falling commodity prices, labour unrest and a growing fiscal deficit. December is judgement month, with all three international ratings agencies due to review the country's standing. All three have cited Gordhan's fate as material in their judgements, a fact reflected in the rand which has in recent days been reduced to a measure of the balance of power between Gordhan and Zuma. Even if Gordhan remains in office, there is a very real possibility that the country might be cut to junk by at least one agency, which could in turn trigger significant capital flight and turn the current chronic economic crisis into a very acute one indeed.

South Africa's fiscal position



Source: CEIC

Then there is the likely impact on the ANC. Gordhan's hearing is scheduled for 2 November, and is likely to be met with mass public protest. Business and politicians have lined up to support him. But the most significant will be senior figures from the ANC who - long having stood behind Zuma - are finding it increasingly difficult to avoid taking sides. With ANC stalwart Jeff Radebe confirming cabinet's support for Gordhan and Deputy President Cyril Ramaphosa putting his own weight behind

him, lines are being drawn for an approaching ANC leadership contest which was scheduled for December 2017 but could come much sooner if Zuma's support crumbles. Ramaphosa for one will be positioning himself carefully. However, Zuma remains an extremely powerful political beast with deep reach and a party structure which he has spent years stacking in his favour. Remember Thabo Mbeki?

In reality, these two impacts cannot be separated. If Zuma goes down fighting, the implications for perceptions (and realities) of South African governance are hardly good. Gordhan's attempts to expose the Gupta's business dealings in court and the expected image of 'state capture' - a term used by outgoing Public Protector Thuli Madonsela in a recent report Zuma is attempting to block - will confirm many of the same problems. Gordhan's problem is less reminding us how bad things have got in South Africa than helping build a government that can actually do something about it.